

MERCURY COMPUTER SYSTEMS INC

Form 10-Q

May 03, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

**COMMISSION FILE NUMBER: 0-23599**

**MERCURY COMPUTER SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: MERCURY COMPUTER SYSTEMS INC - Form 10-Q

**MASSACHUSETTS**  
(State or other jurisdiction of

**04-2741391**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**201 RIVERNECK ROAD**

**CHELMSFORD, MA**  
(Address of principal executive offices)

**01824**  
(Zip Code)

**978-256-1300**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

Shares of Common Stock outstanding as of April 30, 2012: 30,959,208 shares

**Table of Contents**

**MERCURY COMPUTER SYSTEMS, INC.**

**INDEX**

	<b>PAGE NUMBER</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Consolidated Balance Sheets as of March 31, 2012 and June 30, 2011</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended March 31, 2012 and 2011</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended March 31, 2012 and 2011</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	32
Item 4. <u>Controls and Procedures</u>	32
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	33
Item 1A. <u>Risk Factors</u>	33
Item 6. <u>Exhibits</u>	33
<u>Signatures</u>	34

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MERCURY COMPUTER SYSTEMS, INC.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share and share data)

(Unaudited)

	March 31, 2012	June 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 114,845	\$ 162,875
Accounts receivable, net of allowance for doubtful accounts of \$45 and \$17 at March 31, 2012 and June 30, 2011, respectively	38,190	44,786
Unbilled receivables and cost in excess of billings	11,672	1,059
Inventory	21,802	18,540
Deferred income taxes	8,132	7,678
Prepaid income taxes	1,668	1,075
Prepaid expenses and other current assets	4,894	4,171
Total current assets	201,203	240,184
Restricted cash	3,281	3,000
Property and equipment, net	15,351	14,520
Goodwill	132,325	79,558
Acquired intangible assets, net	26,231	16,702
Other non-current assets	955	1,598
Total assets	\$ 379,346	\$ 355,562
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,204	\$ 7,972
Accrued expenses	12,272	5,808
Accrued compensation	12,149	16,288
Deferred revenues and customer advances	4,870	6,138
Total current liabilities	37,495	36,206
Deferred gain on sale-leaseback	4,689	5,556
Deferred income taxes	9,400	3,877
Income taxes payable	1,912	1,777
Other non-current liabilities	754	6,710
Total liabilities	54,250	54,126
Commitments and contingencies (Note H)		
Shareholders' equity:		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; no shares issued or outstanding		

## Edgar Filing: MERCURY COMPUTER SYSTEMS INC - Form 10-Q

Common stock, \$.01 par value; 85,000,000 shares authorized; 29,586,674 and 29,143,738 shares issued and outstanding at March 31, 2012 and June 30, 2011, respectively	296	291
Additional paid-in capital	220,463	213,777
Retained earnings	103,056	86,113
Accumulated other comprehensive income	1,281	1,255
Total shareholders' equity	325,096	301,436
Total liabilities and shareholders' equity	\$ 379,346	\$ 355,562

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents****MERCURY COMPUTER SYSTEMS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Net revenues	\$ 66,989	\$ 59,855	\$ 184,070	\$ 167,476
Cost of revenues	31,926	26,973	78,178	72,294
Gross margin	35,063	32,882	105,892	95,182
Operating expenses:				
Selling, general and administrative	15,217	14,437	43,281	42,653
Research and development	11,452	10,683	35,041	32,061
Amortization of acquired intangible assets	1,143	663	2,651	1,299
Acquisition costs and other related expenses	145	100	763	407
Total operating expenses	27,957	25,883	81,736	76,420
Income from operations	7,106	6,999	24,156	18,762
Interest income	3	6	12	19
Interest expense	(8)	(10)	(26)	(68)
Other income, net	524	390	1,323	1,310
Income from continuing operations before income taxes	7,625	7,385	25,465	20,023
Income taxes	2,380	2,007	8,522	5,780
Income from continuing operations	5,245	5,378	16,943	14,243
Loss from discontinued operations, net of income taxes				(52)
Net income	\$ 5,245	\$ 5,378	\$ 16,943	\$ 14,191
Basic net earnings (loss) per share:				
Income from continuing operations	\$ 0.18	\$ 0.20	\$ 0.58	\$ 0.59
Loss from discontinued operations, net of income taxes				
Net income	\$ 0.18	\$ 0.20	\$ 0.58	\$ 0.59
Diluted net earnings (loss) per share:				
Income from continuing operations	\$ 0.17	\$ 0.20	\$ 0.56	\$ 0.57
Loss from discontinued operations, net of income taxes				
Net income	\$ 0.17	\$ 0.20	\$ 0.56	\$ 0.57
Weighted-average shares outstanding:				
Basic	29,562	26,272	29,432	24,105
Diluted	30,168	27,324	30,057	24,911

## Edgar Filing: MERCURY COMPUTER SYSTEMS INC - Form 10-Q

### Comprehensive income:

Net income	\$ 5,245	\$ 5,378	\$ 16,943	\$ 14,191
Foreign currency translation adjustments	(12)	62	26	301
<b>Total comprehensive income</b>	<b>\$ 5,233</b>	<b>\$ 5,440</b>	<b>\$ 16,969</b>	<b>\$ 14,492</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents**

**MERCURY COMPUTER SYSTEMS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Nine Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Net income	\$ 16,943	\$ 14,191
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	8,381	5,939